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Report Highlights:

The US market share of Japan's rice import tenders in JFY 2001 (April 2001 - March 2002) reached 47.7 percent, identical to the year before. Despite BSE detection in Japan causing a decline in beef consumption and dampening the livestock industry, the overall demand for feed has not been impacted in the short term. Due to the StarLink issue, imports of US corn fell about 1.3 million MT in CY2001, a drop of 8 percent. Assuming the US industry continues to ship corn testing free of StarLink and the presence of StarLink in the US corn crop becomes negligible, imports of US corn are forecast to remain stable in 2002.

Includes PSD changes: Yes
Includes Trade Matrix: No
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RICE

Over-Supply Situation Remains Despite 2001 Rice Production Decrease of 4.6%

The 2001 total rice production decreased 4.6 percent from the previous year to reach 9.057 million metric tons on a brown basis. The total harvested area for rice dropped 3.6 percent to 1.706 million hectares in 2001 due to an aggressive rice production adjustment program by the Ministry of Agriculture, Forestry and Fisheries (MAFF). Although the huge rice stocks (2.8 million metric tons, brown, as of October 2000) were reduced to 2.1 million metric tons, an over-supply situation remains due to over-production and stagnant consumption.

MAFF will continue its current production adjustment program and targets 881,000 metric tons of production in 2002. In 2001 a historic level of over one million hectares, about 40 percent of Japan's total potential rice paddy land, were set aside for crop diversion and "green cut" (cutting of rice before harvest and abandoning the crop), and this level will continue into 2002. In response to the difficulties of the prolonged over-supply situation which was not corrected by the production adjustments, in late 2001 MAFF proposed fundamental changes in the current rice crop management system.

A major component of the proposed measure is the shift from the current method of production area-based allocation to a production volume-based allocation. The appropriate level of stock target will also be reduced to 1.0 million metric tons from the current 1.5 million metric tons. In addition, distribution deregulation is being considered to allow more freedom in rice collection from producers, aimed at reducing distribution costs.

A task force has been organized to study the feasibility of the new scheme for possible implementation in rice year 2003.

Japan's Rice Production (Brown Basis)

	Planted Area (1,000 hectares)			Production (1,000 metric tons)			Yield/10 Ares (kilograms)	
	Total	Paddy	Upland	Total	Paddy	Upland	Paddy	Upland
1997	1,953	1,944	9	10,025	10,004	21	515	243
1998	1,801	1,793	8	8,960	8,939	20	499	256
1999	1,788	1,780	7	9,175	9,159	16	515	214
2000	1,770	1,763	7	9,490	9,474	18	537	256
2001	1,706	1,700	6	9,057	9,048	9	532	144

Source: MAFF

Rice Consumption Keeps Dropping

According to MAFF's latest "Food Balance Sheet", the average annual per capita consumption in 2000 dropped 0.8 percent from the previous year. Japanese rice consumption has been consistently dropping mainly due to diversification of eating patterns by Japanese consumers.

Annual Per Capita Consumption of Rice in Japan

(Kilograms)

1985	1995	1996	1997	1998	1999	2000	2001*
74.6	67.8	67.3	66.7	65.2	65.1	64.6	64.0

* AgOffice/Tokyo estimate

Source: MAFF

The downward trend of traditional rice consumption is likely to continue as the younger generation prefers to spend less time washing, steaming, and cooking rice. With a wide variety of carbohydrate choices such as pasta and bread, days when rice was a must with every meal are long gone. Subsequently, household expenditures on rice have declined. The average Japanese household now spends less than 5 percent of food expenditures on rice.

Average Monthly Expenditure on Rice by Japanese Household

(Yen)

	1985	1995	1996	1997	1998	1999	2000	2001
Total Consumption Expenditure	273,114	329,062	328,849	333,313	328,186	323,008	317,133	308,692
Expenditure on food	73,735	77,886	77,042	78,306	78,156	76,590	73,844	71,543
Expenditure on Rice (%, rice/food)	6,147 (8.3)	4,404 (5.7)	4,164 (5.4)	3,947 (5.0)	3,790 (4.8)	3,634 (4.7)	3,404 (4.6)	3,113 (4.4)

Source: Ministry of Management, Home Affairs, Post & Telecommunications

Rice Prices Continue Weak

In the Japanese rice distribution system, there are two major categories for rice, orderly marketed rice (government-marketed rice plus voluntarily marketed rice) and non-orderly marketed rice (e.g. rice for farmers' own consumption and rice sold directly to wholesalers, retailers and consumers). Voluntarily marketed rice occupies about 50% of Japan's total demand for rice and its prices affect overall prices in the rice market. The successful rice price at tenders held by the Voluntarily-Marketed Rice Distribution Corporations becomes a key indicator for both the wholesale and retail price of rice.

For the 2000 crop, 13 tenders were held and the total of volume of traded rice reached 986,513 metric tons. For the 2001 crop, nine tenders were held so far and the remaining tenders will be held until July 2002. Reflecting weak demand for rice, trading prices have been weak. Although so far this year prices have been slightly higher than the previous year, the declining trend over the years has not been reversed. The retail price of rice (in Tokyo area) dropped further in 2001, reflecting the prolonged recession in Japan and the demand for low prices by consumers. Rice is often used as a feature discount item by supermarkets.

Successful Traded Price

(Yen/60 kg)

2001 Crop:												
1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th
16,474	15,734	16,648	16,877	16,149	16,525	16,537	16,135	16,016	n.a.	n.a.	n.a.	n.a.
2000 Crop:												
1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th
15,984	16,350	16,070	15,858	15,726	15,831	15,847	15,958	16,018	16,206	16,557	17,223	17,288

Source: Voluntarily-Marketed Rice Distribution Corporations

Retail Price of Rice in Tokyo Area

(Yen/10 kg)

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
5,373	5,489	5,644	6,953	5,675	5,374	5,218	5,017	5,059	4,934	4,745

Source: Ministry of Management, Home Affairs, Post & Telecommunications

US Faces Continued Tough Competition Against China

MAFF held four Simultaneous Buy and Sell (SBS) tenders and six Ordinary Minimum Access (OMA) tenders in JFY2001 (April 2001 - March 2002). The overall US market share stayed the same in JFY2001 compared with JFY2000 at 47.7 percent. However, the US market share under the SBS tenders declined from 38.6 percent in JFY2000 to 25.2 percent in JFY2001. Due to improved quality and competitive pricing of Chinese rice, the US market share under the SBS tenders has declined since JFY1998. Trade sources say that because of the competitive pricing of Chinese rice and because the shape of Chinese short grain rice is closer to Japanese short grain rice than the US counterpart, Chinese rice is better suited for blending with Japanese rice, particularly for the food service sector. The following tables show overall minimum access rice tenders for JFY1995 - 2001.

Results of Japan's Minimum Access Rice Tenders

JFY 1995 - 2001

(Actual Tonnage)

	US	Thailand	Australia	China	Others	Total
JFY 2001						
SBS (Share, %)	25,173 (25.2)	421 (0.4)	8,529 (8.5)	65,702 (65.7)	175 (0.2)	100,000 (100.0)
OMA (Share, %)	298,877 (51.5)	129,376 (22.3)	91,500 (15.8)	55,516 (9.6)	4,700 (0.8)	579,969 (100.0)
Total (Share, %)	324,050 (47.7)	129,797 (19.1)	100,029 (14.7)	121,218 (17.8)	4,875 (0.7)	679,969 (100.0)
JFY 2000						
SBS (Share, %)	46,273 (38.6)	4,960 (4.1)	14,269 (11.9)	53,264 (44.4)	1,234 (1.0)	120,000 (100.0)
OMA (Share, %)	284,000 (49.6)	144,370 (25.2)	94,000 (16.4)	35,000 (6.1)	15,669 (2.7)	573,039 (100.0)
Total (Share, %)	330,273 (47.7)	149,330 (21.5)	108,269 (15.6)	88,264 (12.7)	16,903 (2.4)	693,039 (100.0)
JFY 1999						
SBS (Share, %)	36,826 (30.7)	3,753 (3.1)	14,587 (12.2)	62,611 (52.2)	2,223 (1.9)	120,000 (100.0)
OMA (Share, %)	276,000 (51.8)	138,200 (25.9)	90,000 (16.9)	13,900 (2.6)	15,000 (2.8)	533,100 (100.0)
Total (Share, %)	312,826 (47.9)	141,953 (21.7)	104,587 (16.0)	76,511 (11.7)	17,223 (2.6)	653,100 (100.0)
JFY 1998						
SBS (Share, %)	36,498 (30.4)	5,297 (4.4)	14,538 (12.1)	61,965 (51.6)	1,702 (1.4)	120,000 (100.0)
OMA (Share, %)	265,400 (51.8)	130,000 (25.4)	87,000 (17.0)	10,000 (2.0)	20,000 (3.9)	512,400 (100.0)
Total (Share, %)	301,898 (47.7)	135,297 (21.4)	101,538 (16.1)	71,965 (11.4)	21,702 (3.4)	632,400 (100.0)
JFY 1997						
SBS (Share, %)	34,657 (62.9)	911 (1.7)	3,159 (5.7)	13,882 (25.2)	2,532 (4.6)	55,141 (100.0)
OMA (Share, %)	237,900 (48.6)	133,900 (27.4)	82,400 (16.8)	30,000 (6.1)	5,000 (1.0)	489,200 (100.0)
Total (Share, %)	272,557 (50.1)	134,811 (24.8)	85,559 (15.7)	43,882 (8.1)	7,532 (1.4)	544,341 (100.0)
JFY 1996						

SBS (Share, %)	14,134 (64.2)	360 (1.6)	1,173 (5.3)	5,113 (23.2)	1,220 (5.5)	22,000 (100.0)
OMA (Share, %)	201,000 (45.3)	127,650 (28.8)	80,000 (18.0)	35,000 (7.9)	0 (0.0)	443,650 (100.0)
Total (Share, %)	215,134 (46.2)	128,010 (27.5)	81,173 (17.4)	40,113 (8.6)	1,220 (0.3)	465,650 (100.0)
JFY 1995						
SBS (Share, %)	5,715 (53.4)	246 (2.3)	1,935 (18.1)	2,390 (22.3)	408 (3.8)	10,694 (100.0)
OMA (Share, %)	188,000 (47.2)	95,100 (23.9)	85,000 (21.4)	30,000 (7.5)	0 (0.0)	398,100 (100.0)
Total (Share, %)	193,715 (47.4)	95,346 (23.3)	86,935 (21.3)	32,390 (7.9)	408 (0.1)	408,794 (100.0)

Source: MAFF

Trade for Processed Rice Products

The United States is the second largest exporter of flour preparations to Japan after Thailand. The US share of Japanese imports of rice crackers, pilaf and sake (rice wine) remains small due to high labor costs compared to countries like Thailand (the largest exporter for rice crackers and pilaf), the Republic of Korea and China (major exporters of sake).

Japanese Imports of Processed Rice Products (MT, except sake)

	CY 1999		CY 2000		CY 2001	
	Total	US	Total	US	Total	US
Flour preparations	97,970	28,913	107,134	27,560	106,157	27,132
Rice crackers	6,584	31	6,023	5	6,457	13
Pilaf	576	5	935	3	655	1
Sake (1,000 liters)	2,743	18	3,245	12	2,429	16

Source: Ministry of Finance

Rice Tariffication Since April 1999

The Government of Japan implemented rice tariffication on April 1, 1999. During and after JFY 2000, a specific duty of 341 yen per kilogram was applied to imports outside of minimum access. In addition to the secondary tariff, a special safeguard has been introduced. Although no official trade data is available for rice imported outside of minimum

access, actual imports are forecast to be negligible.

Under the new import regime, minimum access rice imports increased by only 0.4 percent each year amounting to 7.2 percent of total domestic consumption in 2000. As a result, Japan imported 644,000 metric tons (milled basis)--or 38,000 tons less than would have been imported in the absence of tariffication in 1999, and 682,000 tons--or 76,000 tons less than would have been imported in the absence of tariffication in 2000 and 2001. This import regime will remain in place for JFY2002 since the final year of the UR phase-in was 2001.

Market Access Obligations for Rice

(MT, Minimum Access as Percent of Domestic Rice Consumption)

	Without Tariffication		With Tariffication	
	Volume	Percent of Domestic Consumption	Volume	Percent of Domestic Consumption
JFY 2000 onward	758,000	8.0 percent	682,000	7.2 percent

Source: MAFF

Japan's Self-Sufficiency Ratio Stops Declining

In 2000 MAFF announced a self-sufficiency target of 45 percent on a caloric basis for Japanese Fiscal Year 2010. Although Japan's self-sufficiency ratio had been constantly declining, since 1998 it has remained at 40 percent. It is still the lowest rate among developed nations.

Japan's Self-Sufficiency Ratio

(%)

	1985	1990	1994	1995	1996	1997	1998	1999	2000
Rice	107	100	120	103	102	99	95	95	95
Wheat	14	15	9	7	7	9	9	9	11
Beans (soybeans)	8 (5)	8 (5)	5 (2)	5 (2)	5 (3)	5 (3)	5 (3)	6 (4)	7 (5)
Vegetables	95	91	86	85	86	86	84	83	82
Fruit	77	63	47	49	47	53	49	49	44
Meats (beef)	81 (72)	70 (51)	60 (42)	57 (39)	55 (39)	56 (36)	55 (35)	54 (36)	52 (33)

Eggs	98	98	96	96	96	96	96	96	95
Milk/Dairy	85	78	72	72	72	71	71	70	68
Seafood	96	86	70	75	70	73	66	66	62
Sugar	33	33	32	31	28	29	32	31	29
Self-sufficiency (Calorie Basis)	52	47	46	42	41	41	40	40	40
Self-Sufficiency (Major Food Grains)	69	67	74	64	63	62	59	59	60
Self-sufficiency (Food + Feed Grains)	31	30	33	30	29	28	27	27	28

Source: MAFF

Excess Level of Lead Found in Rice Bags Leads to a New Testing Protocol

In January 2002, tests conducted by the Food Agency (FA) revealed that a certain type of synthetic resin bag used for rice imported from the United States contained lead in excess of the amount stipulated in the Food Sanitation Law standards. The FA suspended distribution of all imported rice and conducted testing of bags from all exporting countries. Despite the fact that both the Ministry of Health, Labor and Welfare (MHLW) and MAFF confirmed the lead did not contaminate the rice and the rice is completely safe, a new rice bag testing protocol was put in effect on February 1, 2002, which requires all exporting countries to 1) have bags tested by a laboratory certified by MHLW, and 2) submit a written document from the exporter which guarantees that the bags used for the shipped rice are identical to the one certified by the laboratory test. In addition, the MHLW Quarantine Office will conduct quarantine inspection of the bags upon customs clearance.

Marketing

In general, Japanese consumers continue to prefer retail purchases of domestic rather than foreign rice. One reason is the price of foreign rice is still not low enough to attract consumers. Second, the availability of foreign, SBS-purchased rice is still very limited. Despite such negative factors for foreign rice, the USA Rice Federation (USARF) has been successful in promoting US rice in the Japanese market. In 1999 and 2000 the USARF conducted aggressive promotions centered around television advertising in the Kinki area (Osaka and surrounding regions). As a result, over 30 percent of the total supermarket outlets in the area sold unblended 100 percent US rice. Following two years of accumulated efforts, the USARF is conducting a television advertisement campaign in Japan's most heavily populated area of Kanto (Tokyo and surrounding regions) from November 2001 through spring of 2002. Although US rice has been demonstrated to be completely safe, the reported issue of bags containing excess lead is unwelcome news. FAS/US Embassy and the USARF are collaborating to minimize any negative impact on the image of US rice.

WHEAT

Production Increased 1.7% in 2001

Reflecting MAFF's effort to divert rice production to other agricultural crops such as wheat and soybeans, the total planted area for wheat increased 7.6 percent in 2001. However, due to an unfavorable weather conditions in area other than Hokkaido, total wheat production increased only 1.7 percent from the previous year to 699,900 metric tons. MAFF is planning to expand domestic wheat production to reach about 800,000 tons in year 2010, resulting in an increase in self-sufficiency to 12 percent. The increases in planted area and production are both showing a strong upward trend over the last five years, and it appears that the above goal will be met much ahead of schedule.

Japan's Wheat Production

	Planted Area (hectares)	Production (1,000 MT)
1997	157,500	573,100
1998	162,200	569,500
1999	168,800	583,100
2000	183,000	688,200
2001	196,900	699,900

Source: MAFF

Stagnant Wheat Consumption Continues

Wheat consumption has gradually increased over the past years due to a shift from rice to processed wheat products such as bread and pasta. However, because of continued low consumer confidence stemming from Japan's depressed economy that has caused Japanese consumers eat out less and simplify meals, consumption of wheat in 2001 is estimated to be flat.

Annual Per Capita Consumption of Wheat in Japan (Kilograms)

1985	1995	1996	1997	1998	1999	2000	2001*
31.7	32.8	33.0	32.4	32.2	32.4	32.6	32.5

* Ag. Office estimate.

Source: MAFF

Utilization Patterns

Because of Japan's stagnant economic performance, domestic production of selected wheat products is estimated to be flat in coming years.

Japanese Production of Selected Wheat Products
(1,000 MT)

	1999	2000	2001 1/
Wheat Flour	4,627	4,624	4,670
Bread	1,250	1,279	1,275
Noodles	1,265	1,265	1,288
Macaroni & Spaghetti	168	156	150
Biscuit	219	223	220
Premix	341	350	354

1/ Preliminary

Source: MAFF

Government Purchase Price Drops but Resale Prices Remains

The Food Agency (FA) of MAFF controls both producer and resale prices for wheat. To correct the price spread difference between domestic and international wheat prices, the FA cut the 2001 government purchase price for domestic wheat by 1.48 percent from 2000. The following table illustrates how the FA pays domestic wheat producers a purchase price which is 3.8 times more than the resale price to millers. At the same time, the FA's resale price of imported wheat is more than double the average CIF import price.

When setting the resale price of imported wheat for 2001 crop, the FA intended to raise it in order to absorb the higher import cost which resulted primarily from the weakened yen. The FA finally decided to keep it unchanged since this price hike proposal met tremendous resistance from the Japanese domestic millers who fear that any increase in price would push them into a serious financial position. They cannot raise their sales price to end users in the worsening recession, and if they do raise their prices, they will lose business to direct imports of finished or semi-finished wheat based products such as frozen doughs.

GOJ Purchase and Resale Prices for Domestic and Imported Wheat
(Yen per MT)

	Domestic Wheat			Imported Wheat		
	Purchase Price \hat{a}	Resale Price \tilde{a}	\hat{a}/\tilde{a}	Average CIF Price 1/ \hat{a}	Resale Price 2/ \tilde{a}	\tilde{a}/\hat{a}
1999	148,300	38,460	3.9	18,664	46,310	2.5
2000	147,067	38,460	3.8	17,517	43,610	2.5

2001	144,883	38,460	3.8	20,512	43,610	2.1
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1/ US Wheat (HS Code: 100190019)

2/ US Western White Wheat II

Source: MAFF and Ministry of Finance

Total wheat imports in CY2001 dropped 5.7 percent from the previous year due to the weak yen and the stagnant domestic economy. The downward trend of wheat imports is expected to continue for the next few years.

Japanese Wheat Imports by Source 1/ (MT)

Year	US	Share	Canada	Australia	TOTAL
CY1999	3,313,664	55.5%	1,525,957	1,133,372	5,973,373
CY2000	3,175,449	54.2%	1,491,269	1,193,623	5,853,828
CY2001	2,891,753	52.4%	1,470,119	1,157,311	5,521,251

1/ Includes imports by Food Agency of MAFF, as well as direct imports by flour millers (see Trade, other section regarding “free wheat”).

Source: Ministry of Finance

Except pasta, imports of major processed wheat products increased in CY 2001. Imports of US pasta declined 2.6 percent after a record year in 2000 but the US share increased slightly. Overall, the relative competitiveness of the US in these products is stable.

Japanese Imports of Processed Wheat Products (MT)

	CY 1999		CY 2000		CY 2001	
	Total	US Share	Total	US Share	Total	US Share
Flour preparations	108,434	9.8%	117,652	10.2%	126,425	11.4%
Pasta (excl. stuffed)	85,858	12.8%	95,098	15.7%	92,672	16.5%
Biscuits	9,620	20.6%	10,826	15.9%	13,185	15.5%
Bread	6,764	52.8%	6,523	48.0%	7,326	52.5%

Source: Ministry of Finance

The FA allows flour millers to import wheat outside of the FA’s control as long as they export an equivalent amount of wheat flour. This so-called “free wheat” is imported at world prices, less than half the FA’s resale price, and is thus

very profitable. This system also provides millers with an export market for their lower quality flour, which otherwise would have little value in the domestic market.

Japanese Exports of Wheat Flour by Destination
(MT)

Destination	CY 1999	CY 2000	CY 2001
Hong Kong	219,924	200,058	211,695
Vietnam	47,251	43,230	44,684
Singapore	27,443	32,229	25,557
Thailand	20,624	19,563	17,273
United States	468	274	456
Other	18,884	14,237	21,346
Total	334,594	309,591	321,011

Source: Ministry of Finance

New Wheat Policy

The FA retains control over the pricing and marketing of domestic wheat, as well as the importation and pricing of foreign wheat. In May 1998, the FA announced its “New Wheat Policy” which will be implemented during the 2000 to 2002 crop years. Some significant changes of the “New Wheat Policy” include: a shift from FA’s exclusive purchase of domestic wheat to purchases by the private sector; introduction of a new compensation program for domestic wheat farmers; improving the quality of domestic wheat to compete with foreign wheat; continuous importation of foreign wheat for food use by the FA; and introduction of the Simultaneous Buy and Sell (SBS) system for imported wheat and barley for feed use.

During JFY 2001, MAFF conducted five SBS tenders for imported wheat for feed and barley for feed. Through these tenders 51,360 metric tons of imported wheat for feed and 699,980 metric tons of barley for feed were contracted. In JFY 2002, five tenders for 110,000 metric tons of wheat for feed and 800,000 tons of barley for feed will be contracted under SBS.

CORN

Production

Corn production negligible in Japan.

Livestock Animals Continue Declining and Meat Imports Down Due to BSE Outbreak

In September 2001, the first BSE infected cow was confirmed in Japan. This was the first case outside of the EU. Two more cases were confirmed since the BSE screening test was mandated in mid-October. The outbreak of BSE worsened the outlook for Japan's livestock sector that has been experiencing a decline in the number of livestock farmers caused by factors including an aging farming population, lack of successors of livestock farmers, and increases in meat imports. The BSE incident caused a serious loss of consumer confidence in beef, and is having an unprecedented impact on beef consumption and on the overall livestock industry in Japan. For details, please see "JA2008: Japan Livestock Semiannual Report" and "JA2009: Japan Poultry Semiannual".

Japanese Livestock Population

(1,000 heads)

	1999	2000	2001
Dairy cows	1,816	1,764	1,726
Beef cattle	2,842	2,823	2,804
Swine	9,879	9,805	9,785
Layers	143,148	140,365	139,423
Broilers	107,358	108,410	106,311

Source: MAFF (as of February each year)

As shown in the table below, since the first BSE cow was detected in mid September 2001, beef consumption declined dramatically. Pork and chicken consumption, on the other hand, increased.

Monthly Sales of Meat

(Percent versus the same month previous year)

	Beef	Pork	Chicken	Meat Total
April 2001	102.9	108.0	105.7	106.2
May	92.9	102.6	97.9	99.1
June	95.8	99.7	98.2	98.4
July	91.3	96.6	105.6	98.2
August	94.2	101.0	108.4	101.9
September	66.8	102.9	107.1	97.0
October	30.3	119.7	123.0	103.8

November	36.2	127.0	123.7	109.1
December	49.1	121.9	115.4	106.4
January 2002	59.7	116.1	106.7	102.6

Source: Agricultural & Livestock Industries Corporation

Imports of Meat by Origin
(1,000 MT)

	CY 1999	CY 2000	CY 2001
Beef, fresh/chilled (HS Code: 0201)			
United States (share, %)	133 (39.8)	146 (41.0)	132 (39.9)
Australia	194	201	189
Total	334	356	331
Beef, frozen (HS Code: 0202)			
United States (share, %)	195 (56.9)	203 (55.9)	179 (52.0)
Australia	121	129	135
Total	343	363	344
Pork, fresh/chilled/frozen (HS Code: 0203)			
United States (share, %)	168 (28.0)	189 (29.0)	245 (34.6)
Denmark	172	212	213
Canada	91	111	153
Total	600	651	709
Poultry, fresh/chilled/frozen (HS Code: 0207)			
United States (share, %)	106 (18.7)	89 (15.2)	77 (14.4)
China	225	252	194
Thailand	132	129	148

Brazil	99	113	109
Total	567	586	535

Source: Ministry of Finance

Utilization Patterns

Corn is the major ingredient used in compound and mixed feed. Although the ingredient ratio of corn varies slightly from year-to-year, depending on prices of other feed grains, the corn ratio has been fairly constant at 46-48 percent. Of the total demand for corn for feed, about 46-47 percent comes from the poultry sector.

Production of Feed Continues Declining

The total production of compound and mixed feed is forecast to continue declining due to the decrease in Japan's livestock population. Note that the cattle feed is forecast to increase slightly because more herds are kept on the farm, particularly spent cows, because of the perceived higher risk of BSE detection.

Japanese Compound and Mixed Feed Production by Type of Animal (1,000 MT)

Fiscal Year	Compound Feed				Mixed Feed	Grand-Total
	Poultry	Swine	Cattle	Sub-Total 2/		
1999	10,355	6,165	7,003	23,595	797	24,392
2000	10,237	5,980	6,935	23,231	770	24,001
2001 1/	10,134	5,864	7,038	23,114	738	23,852

1/ Agricultural Office preliminary estimates

2/ Includes feed for other livestock animals

Source: MAFF

Prices

The cost of importing corn from the United States increased in 2001 due to the additional testing cost for StarLink and IP handling costs.

Average CIF Prices of Corn for Feed by Origin (\$US per/MT)

	CY 1999	CY 2000	CY 2001
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United States	112.2	114.7	116.7
Argentina	109.5	119.4	113.1
South Africa	-	119.1	136.7
China	117.6	113.8	120.6

Source: Ministry of Finance

StarLink Situation Improving

In September 2000, a small amount of StarLink was found in the US food supply. Then, in October a consumer group in Japan detected StarLink in corn grits. StarLink is not approved for food nor feed in Japan. Since then, USDA officials have visited Japan to meet with Ministry of Health, Labor and Welfare (MHLW) and MAFF officials in order to find solutions that meet the regulatory needs of Japan and maintain the corn trade flow. As a result of these visits to Japan, the USDA reached an agreement in 2001 with MHLW and MAFF on a StarLink testing protocol for feed and food corn exported to Japan. Due to the StarLink issue, imports of US corn fell about 1.3 million MT in CY2001, a drop of 8 percent. However, this decrease was not as large as originally expected due to the efforts of the US industry to meet the regulatory requirements in Japan.

Since April 1, 2001, MHLW has been monitoring and testing a percentage of US food corn imports for StarLink. The reported detection of StarLink in the US corn crop continues to drop, which is attributed to decreasing amounts of StarLink in the US corn supply coupled with the commitment of the US industry to ship corn that tests negative for StarLink. With the 2001 new crop coming in after October 2001, the StarLink detection level showed a dramatic drop. However, the Ministry of Health, Labor and Welfare intends to continue its StarLink monitoring program of food corn shipments at the port during JFY2002 at about the same level as last year.

Regarding feed corn, the US regulators determined that StarLink is safe for use in animal feed. Japan imports more than 10 million metric tons of feed corn annually, and US share in 2001 stayed at over 95 percent. Currently MAFF is in the process of making safety assessment and approval of biotech feed ingredients a legal requirement. Unapproved biotech feed ingredients must be segregated from the export channel to Japan; however, there will be a one percent tolerance for adventitious presence of such segregated unapproved products with the condition that they are approved in other countries under the OECD standards. The timing of the start of implementation has not been announced, but is expected to be within the calendar year 2002.

The US import share in corn for manufacturing declined as shown in the following table. Please note that the increase in the total imports of "corn for manufacturing" is deceptive because a portion is apparently diverted to the feed industry. The biggest factor for the decline in the US imports of "corn for manufacturing" was the drop in the use of US corn for corn starch manufacturing. Assuming the US industry's segregation efforts continue and the level of StarLink detection in the US corn crop continues to reach zero, the US corn import share in 2002 is forecast to rebound while total volume remains stable.

Imports of Corn by Origin (1,000 MT)

	CY 1999	CY 2000	CY 2001
Corn for feed			
United States (share, %)	10,998 (94.5)	11,104 (96.8)	10,160 (95.1)
Argentina	435	247	179
China	106	109	145
Others	105	8	198
Total	11,644	11,469	10,682
Corn for manufacturing			
United States (share, %)	4,892 (98.6)	4,428 (95.4)	4,061 (73.3)
Argentina	48	39	273
Australia	4	5	5
China	3	39	219
S. Africa	2	119	628
Others	11	11	352
Total	4,960	4,641	5,538
Total corn			
United States (share, %)	15,890 (95.7)	15,532 (96.4)	14,221 (87.7)
Total	16,604	16,110	16,220

Source: Ministry of Finance

Biotech Labeling

Beginning April 1, 2001, MAFF requires labeling for 24 foods made from corn and soybeans, including corn snacks. For details, please refer to "JA1091" and "JA2010".

Because of mandatory labeling of certain products, such as corn grits, the US corn trade for these uses has been disrupted. Corn starch used as one of the top three ingredients of a food product and more than 5 percent by weight must be labeled. In addition, some Japanese food manufacturers have opted to voluntarily label their products "GMO-

free", even where mandatory labeling is not required (e.g., beer). As a result, US corn exports for food manufacturing have also faced trade disruption. However, the Japanese industry is having difficulty sourcing cost and quality competitive food corn from other suppliers, and the decline in US exports has not been as large as initially anticipated.

Emergency Stocks of Grains

MAFF keeps 1,200,000 tons of feed grains (400,000 tons of barley for feed and 800,000 tons of corn/sorghum) in stock for emergency purposes.

New Use Initiatives Continue

With traditional markets for coarse grains and oilseed generally expected to decline as Japan's domestic livestock production contracts, the US Grain Council (USGC) and the American Soybean Association (ASA) are aggressively exploring markets for "new use" products such as starch-based biopolymers, biodegradable plastics, deicers, soy-based ink, diesel fuel and crayons. By promoting "new use initiatives", value enhanced grains will increase the total monetary value of coarse grain exports to Japan, despite the forecast decline in export volume.

SORGHUM

Production

Like corn, production of sorghum is negligible in Japan.

Consumption

Sorghum is a substitute for corn to produce compound and mixed feed. Like corn, the utilization rate for sorghum in compound and mixed feed fluctuates depending on the price of corn, and other feed ingredients. Generally, the sorghum ratio in Japan has been fairly constant at around 10 percent.

Prices

After reaching record high levels in 1996, the average CIF price of sorghum declined until 1999, rebounding in 2000. In 2001, US price increased drastically due primarily to strong demand in Mexico.

Average CIF Prices of Sorghum for Feed by Origin
(\$US per/MT)

	CY 1999	CY 2000	CY 2001
United States	111.2	112.8	120.9
Argentina	98.8	105.1	101.8
Australia	107.7	107.5	113.4

Source: Ministry of Finance

Trade

The US is the largest supplier of sorghum to Japan, followed by Argentina and Australia. Since sorghum is mainly a substitute for corn, its potential for growth in imports largely depends on its relative price. Due to the higher US price, imports from the US declined 26 percent in 2001.

Imports of Sorghum by Origin
(1,000 MT)

	CY 1999	CY 2000	CY 2001
Sorghum for feed			
United States	1,329	1,001	740
Australia	257	699	584
Argentina	424	181	226
Others	122	78	1
Total	2,132	1,959	1,551
Sorghum, others			
United States	137	86	138
Australia	47	61	117
Argentina	24	68	97
Others	0	4	1
Total	208	219	353
Total sorghum			
United States (share, %)	1,466 (62.6)	1,087 (49.9)	878 (46.1)
Total	2,340	2,178	1,904

Source: Ministry of Finance

BARLEY**Production**

According to MAFF's survey for the 2001 barley crop, total barley production is estimated to have decreased 3.7 percent from the 2000 crop level (214,300 metric tons) to 206,400 metric tons due to unfavorable weather conditions in major production areas despite a 13.2 percent increase in the crop area.

Crop Area and Production of Barley in Japan

	Crop Area (Hectares)	Production (MT)
1999	52,000	205,300
2000	53,500	214,300
2001	60,540	206,400

Source: MAFF

Consumption

In Japan, about 80-90 percent of total domestic consumption of barley is used for compound and mixed feed production for the beef and dairy sectors. In addition to feed, barley is also used for production of traditional Japanese alcoholic beverages, table use, soybean paste, and barley tea.

Prices

After reaching record high levels in 1996, the average CIF price of barley declined until 1999, rebounding in 2000 and reaching higher in 2001.

CIF Prices of Barley for Feed by Origin (\$US per/MT)

	CY 1999	CY 2000	CY 2001
United States	121.2	133.6	142.2
Canada	124.0	130.4	140.5
Australia	132.7	143.8	144.2

Source: Ministry of Finance

Trade

Australia, Canada and the United States are the three major suppliers of barley. The United States continues to face strong competition from both Australia and Canada whose barley exports are conducted by State Trading Enterprises (STE). The SBS system appears to have contributed to the great increase in the imports from the US in 2001 (i.e., 259,000 to 504,000 MT) where the competitiveness of US barley, and the efforts by the US trade and the US Grains

Council to educate the Japanese trade about it, can be more directly reflected than the Food Agency's sole purchase.

Imports of Barley Origin
(1,000 MT)

	CY 1999	CY 2000	CY 2001
Barley for feed			
United States	455	259	504
Canada	210	337	140
Australia	736	765	529
Others	5	19	0
Total	1,406	1,380	1,173
Barley, others			
United States	9	8	9
Canada	43	52	42
Australia	167	214	186
Others	0	1	1
Total	219	275	238
Total barley			
United States (share, %)	464 (28.6)	267 (16.7)	513 (36.4)
Total	1,625	1,599	1,411

Source: Ministry of Finance

SBS Tenders Launched for Barley for Feed

As noted in the policy section for "wheat", MAFF introduced the Simultaneous Buy and Sell (SBS) system for barley for feed beginning JFY1999 (April 1999 - March 2000). During JFY 1999, 359,940 metric tons of barley for feed was contracted under three tenders. During JFY 2000, 599,950 metric tons of barley for feed was contracted, and during JFY 2001, 699,980 metric tons was contracted. In JFY 2002, five tenders for 110,000 metric tons of wheat for feed and 800,000 tons of barley for feed will be contracted under SBS.

OATS

Production

Production of oats is minimal in Japan.

Consumption

Oats are almost exclusively used for feed in Japan. The annual oats consumption for feed is about 80,000 - 90,000 metric tons. Japan imports about the same amount of oats annually. The main users of oats are the race horse industry and compound feed manufacturers.

Prices

US oats are not as price competitive as those of Australia and Canada, the two major oat suppliers for Japan. For example, Australian's average CIF price of oats was only about 63 percent of the US average CIF price in 2001.

Average CIF Prices of Oats by Origin (\$US per/MT)

	CY 1999	CY 2000	CY 2001
United States	358.4	257.9	234.6
Australia	142.4	144.3	147.4
Canada	151.0	153.0	161.4

Source: Ministry of Finance

Trade

Australia and Canada dominate oat exports to the Japanese market. Oat imports through 2002 are estimated to stay flat due to Japan's weaker demand for feed in general.

Imports of Oats by Origin (1,000 MT)

	CY 1999	CY 2000	CY 2001
United States	1	1	2
Australia	48	46	45
Canada	36	34	37
Total	85	81	84

Source: Ministry of Finance

BEANS

Kidney Bean Production Up While Red Bean Production Drops

Small red (Azuki) and kidney bean production account for about 99 percent of Japan's total dry bean production. Despite 5 percent increase in total production area from the previous year, total small red bean production declined 19.7 percent in 2001 due to unfavorable weather conditions in Hokkaido where 84 percent of Japan's total small red beans are produced.

Kidney bean production, on the other hand, increased 55.6 percent in 2001 from the previous year due to an increase in production area coupled with fair weather conditions (weather conditions in 2000 were severely unfavorable with rainfalls at the time of harvesting). Like small red beans, Hokkaido is the major kidney bean production area and accounts about 94 percent of Japan's total kidney bean production.

Crop Area and Production of Major Beans in Japan

	Small Red (Azuki) Beans		Kidney Beans	
	Area (Hectares)	Production (MT)	Area (Hectares)	Production (MT)
1999	45,400	80,600	12,400	21,400
2000	43,600	88,200	12,900	15,300
2001	45,700	70,800	13,300	23,800

Source: MAFF

Consumption

Japan's annual bean consumption had been fairly constant at around 230,000 metric tons. However, because of a stagnant domestic economy which negatively affects the demand for traditional Japanese confections (a major user of beans), bean consumption is expected to remain flat or decline slightly over the next few years.

Utilization of Major Beans by Product (percent)

	Sweet Bean Paste	Candied Beans & Other Conf.	Cooked Beans	Fried & Roasted Beans	Others (mainly for home cooking)	Total

Small Red Beans	68.9	12.8	2.4	-	15.9	100.0
Lima & Kidney Beans	66.1	10.2	15.6	1.1	7.0	100.0
Peas	34.5	9.7	9.2	30.0	16.6	100.0
Broad Beans	21.6	-	10.0	68.1	-	100.0
Beans & Peas Total	60.9	10.5	9.8	8.0	10.8	100.0

Source: Estimated by MAFF.

Trade

Japanese total bean imports in 2001 declined 8.7 percent from the previous year. In particular, imports of azuki beans declined 18.3 percent due to the large domestic crop harvested in fall 2000. Imports of kidney beans also declined due to a sufficient carryover from previous years' inventories.

Japanese Major Bean Imports by Supplier (1,000 MT)

	CY 1999	CY 2000	CY 2001
Small Red Beans	29,371	30,498	24,919
China	26,374	26,508	22,429
USA.	1,476	2,393	1,163
Kidney Beans	17,056	21,505	20,685
China	5,414	6,415	7,725
USA.	4,259	4,422	3,207
Canada	4,461	8,293	6,466
Peas	20,198	20,109	18,675
Canada	12,700	13,345	12,218
New Zealand	1,541	931	975
U.K.	2,182	2,226	2,112
USA	1,464	1,539	1,741
China	1,288	576	958
Hungary	639	1,039	447

Broad Beans	8,893	7,800	8,082
China	7,531	6,439	7,069
Other Beans	38,450	40,656	37,716
Total	113,968	120,568	110,077

Source: Ministry of Finance

Policy

With implementation of the Uruguay Round Agreement in JFY1995, the quota system for bean imports was replaced by a tariff quota system. A market access volume of 120,000 metric tons a year is maintained with a 10 percent duty applied within the current access volume.

PS&D Tables

Rice PS&D Table

PSD Table						
Country	Japan					
Commodity	Rice, Milled					
				(1000 HA)(1000 MT)		
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		11/2000		11/2001		11/2002
Area Harvested	1770	1770	1710	1706	0	1700
Beginning Stocks	1831	2194	1297	1960	797	1752
Milled Production	8636	8636	8250	8242	0	8200
Rough Production	11863	11863	11332	11321	0	11264
MILLING RATE (.9999)	7280	7280	7280	7280	0	7280
TOTAL Imports	730	730	700	700	0	700
Jan-Dec Imports	700	656	700	646	0	650
Jan-Dec Import U.S.	338	338	340	303	0	325
TOTAL SUPPLY	11197	11560	10247	10902	797	10652
TOTAL Exports	600	600	150	150	0	150
Jan-Dec Exports	550	550	150	150	0	150
TOTAL Dom. Consumption	9300	9000	9300	9000	0	9000
Ending Stocks	1297	1960	797	1752	0	1502
TOTAL DISTRIBUTION	11197	11560	10247	10902	0	10652

Wheat PS&D Table

PSD Table						
Country	Japan					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	183	183	190	197	0	206
Beginning Stocks	1325	1154	1646	1253	1521	1253
Production	688	688	700	700	0	738
TOTAL Mkt. Yr. Imports	5911	5720	5800	5650	0	5600
Jul-Jun Imports	5911	5720	5800	5650	0	5600
Jul-Jun Import U.S.	3038	3038	3100	3050	0	3000
TOTAL SUPPLY	7924	7562	8146	7603	1521	7591
TOTAL Mkt. Yr. Exports	454	209	600	300	0	300
Jul-Jun Exports	454	209	600	300	0	300
Feed Dom. Consumption	577	900	850	880	0	850
TOTAL Dom. Consumption	5824	6100	6025	6050	0	6000
Ending Stocks	1646	1253	1521	1253	0	1291
TOTAL DISTRIBUTION	7924	7562	8146	7603	0	7591

Corn PS&D Table

PSD Table						
Country	Japan					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	1	1	1	1	1	1
Beginning Stocks	1156	1141	1297	1317	1108	1318
Production	1	1	1	1	0	1
TOTAL Mkt. Yr. Imports	16340	16275	15500	16000	0	15500
Oct-Sep Imports	16340	16275	15500	16000	0	15500
Oct-Sep Import U.S.	14956	14570	15200	14400	0	14300
TOTAL SUPPLY	17497	17417	16798	17318	1108	16819
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0

Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	12150	11500	11690	11000	0	10500
TOTAL Dom. Consumption	16200	16100	15690	16000	0	15500
Ending Stocks	1297	1317	1108	1318	0	1319
TOTAL DISTRIBUTION	17497	17417	16798	17318	0	16819

Sorghum PS&D Table

PSD Table						
Country	Japan					
Commodity	Sorghum				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	0	0	0	0	0	0
Beginning Stocks	352	306	252	290	252	290
Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	1983	1984	2200	1900	0	1900
Oct-Sep Imports	1983	1984	2200	1900	0	1900
Oct-Sep Import U.S.	1300	844	1350	800	0	800
TOTAL SUPPLY	2335	2290	2452	2190	252	2190
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	2083	2000	2200	1900	0	1900
TOTAL Dom. Consumption	2083	2000	2200	1900	0	1900
Ending Stocks	252	290	252	290	0	290
TOTAL DISTRIBUTION	2335	2290	2452	2190	0	2190

Barley PS&D Table

PSD Table						
Country	Japan					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	54	54	56	61	0	64

Beginning Stocks	704	1100	676	1112	666	1068
Production	214	214	220	206	0	231
TOTAL Mkt. Yr. Imports	1498	1498	1500	1500	0	1600
Oct-Sep Imports	1498	1498	1500	1500	0	1600
Oct-Sep Import U.S.	490	490	340	500	0	550
TOTAL SUPPLY	2416	2812	2396	2818	666	2899
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	1400	1400	1430	1450	0	1500
TOTAL Dom. Consumption	1740	1700	1730	1750	0	1800
Ending Stocks	676	1112	666	1068	0	1099
TOTAL DISTRIBUTION	2416	2812	2396	2818	0	2899

Oats PS&D Table

PSD Table						
Country	Japan					
Commodity	Oats				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	1	1	1	1	0	1
Beginning Stocks	11	2	8	1	8	1
Production	2	1	2	1	0	1
TOTAL Mkt. Yr. Imports	78	78	80	83	0	84
Oct-Sep Imports	78	78	80	83	0	84
Oct-Sep Import U.S.	2	2	0	2	0	2
TOTAL SUPPLY	91	81	90	85	8	86
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	76	72	75	76	0	76
TOTAL Dom. Consumption	83	80	82	84	0	84
Ending Stocks	8	1	8	1	0	2
TOTAL DISTRIBUTION	91	81	90	85	0	86

Bean PS&D Table

PSD Table						
Country	Japan					
Commodity	Beans					
					(1000 HA)	(1000 MT)
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Harvested	57	57	60	59	0	60
Beginning Stocks	69	69	60	60	59	55
Production	104	104	107	95	0	110
TOTAL Mkt. Yr. Imports	110	110	122	115	0	100
Jul-Jun Imports	110	110	122	115	0	100
Jul-Jun Import U.S.	22	18	23	20	0	0
TOTAL SUPPLY	283	283	289	270	59	265
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	223	223	230	215	0	210
Ending Stocks	60	60	59	55	0	55
TOTAL DISTRIBUTION	283	283	289	270	0	265